

Madame Chairman and Members of the Committee,

My name is Jan Cahill and I am the CEO of Quality Life Concepts located in Great Falls. Quality Life Concepts is the largest provider of DD services to adults and children in Montana.

In preparing my thoughts last week I came across a copy of the testimony I gave before this committee in January of 2005 regarding the devastating impact workman's comp has on my business. The only difference between 2005 and now is our premium for workman's comp has risen 320% from FY03 levels. This current fiscal year workman's comp insurance premiums (\$509,000) represent 8.2% of my DD budget. In 2003 workman's comp insurance costs (\$159,103) represented 2.9% of my DD budget. Under the new rate system workman's comp costs are designated under ERE or employee related expenses. Attached information demonstrates that over the past four years Quality Life Concepts has paid out over \$1,700,000 in insurance premiums for workman's comp. In the attachments I used 10% increases in each year to more accurately reflect what our premiums should have been or a total of slightly more than \$811,000. Using that figure you can see Quality Life Concepts paid an additional \$967,000 over and above the \$811,000 figure. These workman's comp cost increases are unconscionable and represents one item of Employee Related Costs under the new state rate system. (ERE also includes social security, unemployment, Medicaid, health insurance, retirement, if any, benefits.) In the interest of time I will only note that program related costs have increased significantly especially in the area of fuel and utilities.

I do want to thank the previous legislature and DPHHS for the increase in funding to help provide much needed raises for direct care staff. As a result of that additional funding (I-149 Tobacco Tax), Quality Life Concepts was able to provide all direct care staff a minimum of a \$1.00 an hour raise including a \$1.25 raise for beginning direct care staff. This moved us from a beginning salary of \$5.85 to \$7.10 an hour. In turn we moved from 36<sup>th</sup> out of 39 providers in our beginning salary to 23 out of the 39 providers (FY06). Even with the significant raise of \$1.25 an hour for beginning staff and \$1.00 an hour for all other direct care staff, Quality Life Concepts is only able to compete with fast food establishments and other low paying service industries in shrinking labor market of only 2.9% unemployment in Cascade County. While the increase in salary has reduced our turnover rate, we still experience the need to recruit new staff every month. Staff turnover of course reduces the quality of life for all of our clients as they lose trusted staff and new staff is more prone to make errors. Studies demonstrate increased staff turnover negatively affects the health of the people being supported. In addition to the human side of services, not enough staff creates huge issues of overtime as we must maintain quality services to maintain the highest levels of health and safety for our clients. For the record, Quality Life Concepts paid out over \$520,000 in overtime during FY06.

On behalf of the over 600 children and adults Quality Life Concepts is honored to serve every year, I urge you to not only approve the \$18 million dollar submitted by Governor Schweitzer but to give careful consideration for additional increases that will bring the increase up to the \$30 million dollars originally identified by providers. The Governor also is requesting an additional \$11 million dollars to reduce the waiting list of individuals needing services. I fully support his request. However, I caution that until all providers can effectively hire and retain staff for the services we now deliver; it is difficult to see how increasing the number of clients can be accomplished.

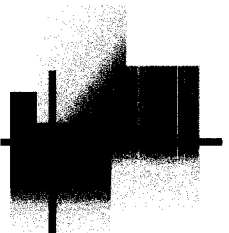
Thank you for your time and consideration of my testimony. I have provided copies for your review and I will be available after this hearing for any questions.

# *Quality Life Concepts*

**ERE**

**(Employee Related Expenses)**

**New State Rate System FY07**



## Workman's Comp Premium

■ FY03	\$159,103
■ FY04	\$390,684
■ FY05	\$358,377
■ FY06	\$362,180
■ FY07	\$509,000(*)

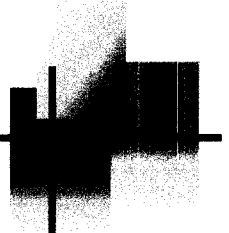


# **Total INCREASE** **over baseline FY03**

- Assuming a 10% increase each of four years, QLC should have paid for workman's comp 2003 – 2007 **\$811,881.00.**
- Total actually paid **\$1,779,344.00.**

## **COST DIFFERENCE**

**\$967,463.00**



# Workman's comp average costs

## 154 Full Time Employees

- *FY03 \$1,033.14 per employee (\$0.49 hr)*
- *FY04 \$2,536.90 per employee (\$1.22 hr)*
- *FY05 \$2,327.12 per employee (\$1.12 hr)*
- *FY06 \$2,351.82 per employee (\$1.13 hr)*
- *FY07 \$3,305.19 per employee (\$1.59 hr)*



# What Could Have Been

- Currently our beginning employees make \$7.10 an hour or \$14,768.00 a year.
- If QLC had not had to pay exorbitant workman's comp premiums each direct care staff employee could be making an additional \$2.65 per hour or an additional **\$4,888.00** a year. At what could have been a beginning salary of **\$9.75** an hour a new direct care staff employee would make **\$20,280.00** a year. This is what could have been. (*Calculations based on 72% of additional workman's comp costs.*)